

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 357

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO PROPERTY TAXES; AMENDING SECTION 63-1705, IDAHO CODE, TO ESTABLISH STANDARDS AND METHODS FOR THE VALUATION FOR THE TAXATION OF FOREST LANDS UNDER THE PRODUCTIVITY OPTION TO APPLY FOR A TEN YEAR PERIOD, TO PROVIDE FOR THE FOREST MANAGEMENT ALLOWANCE TO BE CALCULATED ON CERTAIN CRITERIA AND TO MAKE A TECHNICAL CORRECTION; DECLARING AN EMERGENCY AND PROVIDING RETROACTIVE APPLICATION.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-1705, Idaho Code, be, and the same is hereby amended to read as follows:

63-1705. TAXATION OF FOREST LANDS UNDER THE PRODUCTIVITY OPTION. (1) In order to encourage private forest landowners to retain and improve their holdings of forest lands and to promote better forest management, forest lands subject to this option shall be appraised, assessed and taxed as real property under the provisions of this section.

(2) The forest land value shall be determined by the timber productivity valuation process, as provided for in the committee on forest land taxation methodologies, ~~User's Guide to the Timber Productivity Option's Valuation Method~~ - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), referred to in this chapter as the "user's guide," on file with the Idaho state tax commission, available on the website of the Idaho state tax commission, and which shall be made available in the office of each county assessor, which values the net wood production over a reasonable rotation period plus other agricultural-related income, if any, less annualized custodial expenses as defined in section 63-1701, Idaho Code. Pursuant to the provisions of this section, the inventory of forest products shall not be included as part of the valuation of the forest land as provided in section 63-602W, Idaho Code. The state tax commission shall promulgate rules relating to the timber productivity valuation process, including custodial expenses, as provided for in the user's guide and the provisions of this chapter.

(3) The market value for assessment purposes shall be determined annually by the county assessor using the timber productivity valuation process developed by the CFTM, and as further prescribed in rule. Effective January 1, 2012, the forest land values for taxation purposes will be floored at the 2011 valuation level of all four (4) of the forest value zones for the next ten (10) year period. The ceiling for taxation purposes for forest land values during such ten (10) year period will be capped at thirty percent (30%) above the 2011 forest land values. The annual changes for taxation purposes shall be limited to not more than a five percent (5%) annual increase or decrease from the immediate prior year based upon the 2005 "user's guide" valuation model, provided however, that no decrease shall be in an amount less than the established floor nor increase above the established ceiling.

Actual annual valuation calculations shall also be tracked, though not necessarily utilized for taxation purposes. Actual annual valuation calculations may drop below the floor or rise above the ceiling. Forest land values derived by the model will be used as the forest land value for taxation purposes only when the derived value is between the floor and the ceiling. Furthermore, the actual annual valuation calculations shall not exceed a five percent (5%) adjustment from the previous year's valuation calculation. When the model derived values for a given year are below the floor, the forest land value for taxation purposes will be equal to the floor value for that year. When the model derived values in a given year are above the ceiling, the forest land value for taxation purposes will be equal to the ceiling for that year.

Notwithstanding any other provision of law, the state tax commission is authorized to cite the user's guide in its rules and shall:

(a) Divide the state into appropriate forest valuation zones, with each zone designated so as to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other pertinent factors of that zone;

(b) Establish a uniform system of forest land classification which considers the productive capacity of the soil to grow forest products and furnish other associated agricultural uses;

(c) Provide for the annual input to the timber productivity valuation process including the stumpage value, rotation length, mean annual increment, guiding discount rate, annualized custodial expenses, appropriate property tax rates, and real price appreciation rate of stumpage according to the user's guide. The guiding discount rate and the real price appreciation rate for timber products shall remain constant at four percent (4%) and one and one-quarter percent (1.25%) respectively, until January 1, 2012⁷;

(d) Upon the recommendation of the CFTM or when deemed appropriate by the commission according to evidence of significant trends in custodial expenses, conduct a forest management cost study; provided however, that such forest management cost study shall be no more frequent than five (5) years from the previous forest management cost study. The forest management cost study and a report shall be provided to the CFTM following a recommendation of any changes in custodial expenses and the CFTM shall determine whether the cost study will be incorporated into the forest land valuation process. The forest management cost allowance (FMCA) will continue to be calculated based on the 2004 CFTM negotiated custodial rates and indexed by the adjustment in the ten (10) year rolling average changes in the producer price index (PPI), as has been done by the Idaho state tax commission since 2005, and this will remain in effect until January 1, 2017; and

(e) Provide for any additional data as needed.

(4) The state tax commission shall by March 1 of each year, furnish all input for the timber productivity valuation process to the county assessor.

(5) Stumpage values shall be based upon the preceding five (5) year rolling average value of timber harvested within the forest value zone from state timber sales and/or the best available data for the same five (5) year period. Average agricultural-related income and the average expense compo-

1 nent for each forest value zone shall be determined for the same time period
 2 as the period used to determine average stumpage values.

3 (6) Forest lands upon which, at any time after January 1, 1982, the
 4 trees are destroyed by fire, disease, insect infestation or other natural
 5 disaster such that the lands affected will not meet minimum stocking re-
 6 quirements under rules adopted pursuant to chapter 13, title 38, Idaho Code,
 7 shall be eligible for a reduction in value for the first ten (10) property
 8 tax years following the loss. The amount of reduction shall be determined
 9 by dividing the average age of the trees destroyed by the rotation age for
 10 the specific forest productivity class appropriate for the affected acres.
 11 In no instance shall the annual reduction exceed eighty percent (80%) of
 12 the original forest value per year. In order to obtain a reduction, the
 13 landowner shall, on or before January 1, following the destruction, make
 14 written application to the assessor indicating the legal description of the
 15 lands in question and stating all pertinent facts. The assessor may inves-
 16 tigate the facts and may request assistance from the state tax commission in
 17 performing such investigations. If the requirements are met, such forest
 18 lands shall be assessed and taxed on the reduced basis herein provided.

19 (7) Buildings and other improvements, other than roads, located on for-
 20 est lands shall be appraised, assessed and taxed as provided by applicable
 21 laws and rules.

22 (8) There is created within the Idaho state tax commission the CFTM. The
 23 membership of the CFTM shall be:

24 (a) A nonvoting chairman who shall be the member of the Idaho state tax
 25 commission assigned to property tax matters;

26 (b) Four (4) members who are representing business entities owning not
 27 less than five thousand (5,000) acres of Idaho forest land, provided
 28 that there shall be only one (1) representative for each individual
 29 business entity and provided further that affiliated business entities
 30 shall be considered a single business entity for the purposes of this
 31 section. The business entity employing such member shall designate a
 32 successor member at its discretion. If a vacancy occurs among the rep-
 33 resentatives of forest landowners owning not less than five thousand
 34 (5,000) acres, a replacement member will be selected by the remaining
 35 members qualifying under the provisions of this section;

36 (c) One (1) member selected from the membership of the Idaho forest own-
 37 ers' association;

38 (d) Five (5) members selected from the membership of the Idaho associa-
 39 tion of counties; and

40 (e) The state superintendent of public instruction or his/her de-
 41 signee, in a nonvoting capacity.

42 The CFTM may retain a forest economist selected by a majority of its members
 43 to advise the CFTM.

44 The costs of each CFTM member shall be borne by the respective member.
 45 The fees and costs of the forest economist shall be borne as determined by the
 46 CFTM.

47 The CFTM may prepare and deliver written reports to the house of rep-
 48 resentatives revenue and taxation and senate local government and taxation
 49 committees of its findings and recommendations for legislation as the need

1 may arise. The CFTM may meet periodically as determined by its chairman or
2 the CFTM.

3 SECTION 2. An emergency existing therefor, which emergency is hereby
4 declared to exist, this act shall be in full force and effect on and after its
5 passage and approval, and retroactively to January 1, 2012.